No. 3026

United States Circuit Court of Appeals

For the Ninth Circuit

RELIANCE CONSTRUCTION COMPANY, a corporation; CITY OF HOOD RIVER, a municipal corporation, and NATIONAL SURETY COMPANY, a corporation,

Appellants,

vs.

HASSAM PAVING COMPANY, a corporation, and OREGON HASSAM PAVING COMPANY, a corporation,

Appellees.

BRIEF OF APPELLANT CITY OF HOOD RIVER

On Appeal from the District Court of the United States for the District of Oregon.

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Counsel for Appellees

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On Appeal from the District Court of the United States for the District of Oregon.

STATEMENT OF THE CASE.

This is an appeal by the appellant City of Hood River from decree of lower court granting motion of appellees to confirm report of Master in Chan-

cery and overruling exceptions to said report by appellant Reliance Construction Company upon an account for infringing the patent for laying Hassam pavement in City of Hood River, and decreeing that the appellees have and recover of and from the appellants and each of them the sum of forty-five hundred twenty-seven and 73/100 dollars ($4527.73) damages as aforesaid, together with their costs and disbursements to be taxed.

See Transcript, pages 126-127.

The validity of appellees' patents were adjudicated, the infringement by appellant was adjudicated, the order for appellants to account to appellees was made, and the reference to master was made; a perpetual injunction was granted, in the decree of April 27, 1914, rendered in this suit, and these matters are all *res judicata* and were not and could not be questioned on this accounting.

See Transcript, pages 68, 69, 70, 71, 72.

There was an order entered in this suit that the appeal from decree of April 27, 1914, entered in this suit was withdrawn and that Master in Chancery proceed with the reference in accordance with the terms of the said decree made in this suit on March 27, 1916.

See Transcript, pages 95, 96, 97.

Thus the only issue open was the proper accounting.

Hall & Stearns, attorneys for defendants, then withdrew as attorneys for defendants.

There was a master's summons issued in this suit and served upon appellant Reliance Construction Company and appellant National Surety Company.

See Transcript, pages 97, 98, 99, 100, 101, 102, 103, 104.

Appellant Reliance Construction Company appeared by Ralph R. Duniway, its solicitor, before the master on May 3, 1916, and on May 9, 1916, it filed an account of its profits on said infringement in sum of $1900.34.

See Transcript, pages 164, 165, 166, 167, 168, 169, 170, 171, 172.

Appellant National Surety Company appeared by Mr. Harrison Allen, its solicitor, before the master on May 3, 1916; the hearing was postponed to May 9, 1916, and said appellant National Surety Company did not appear further in any way until it appealed from the decree of the lower court against it for $4527.73 damages.

See Transcript, page 166.

Appellant City of Hood River was not mentioned in, or served with master's summons, and did not appear in any way in the proceedings for an accounting until it appealed from the decree of the lower court against it for $4527.73 damages.

The hearing was had before the master on the

account filed by the appellant Reliance Construction Company of its profits on the infringement and the objections filed thereto by the appellees, and on the plaintiffs' statement of damages and the objections thereto by appellees, and the evidence was taken before the master for the purpose of computing what recovery should be allowed. The profits of defendant Reliance Construction Company on the work done by it, which had been adjudged by the court to be an infringement of the patents owned and controlled by the plaintiffs, were ascertained and said hearing was also directed to the ascertainment of the damages sustained by plaintiffs.

The master on August 18, 1916, filed findings of fact and his reasons for the findings of fact in which the master stated that the hearing was for the purpose of computing the profits of the defendant Reliance Construction Company in the work done by it which has been adjudged by the court to be an infringement of the patent owned and controlled by plaintiffs, said hearing being also directed to the ascertainment of the damages sustained by plaintiffs.

The master found that the profits of appellant Reliance Construction Company in performing the work were $2362.40.

The master found that the damages of plaintiffs from the infringement referred to in Finding I were and are the sum of $4527.73.

The master made no finding against appellant National Surety Company or appellant City of Hood River.

See Transcript, pages 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117.

Appellant Reliance Construction Company filed two exceptions to the master's report, as follows:

First Exception.

The defendant Reliance Construction Company excepts to that part of the master's report, paragraph IV, which sur-charges the account of defendant's profits $300 as excessive overhead or general expense, and said defendant respectfully moves the court to hold that the entire credit under this head claimed by said defendant of $604.82 is the correct amount of overhead expense to be charged in this accounting, and that defendant's total profits on this contract was $2,062.40 and no more.

Second Exception.

Defendant Reliance Construction Company excepts to that part of the master's report, paragraphs VII and VIII whereby the master finds that twenty-five cents a square yard would be a reasonable royalty for the use of the Hassam pavement, and that plaintiff recover damages and that the damages of plaintiff on the infringement, referred to in Finding I of the master's report were and are the sum of $4,527.73.

Defendant respectfully moves the court to hold

that plaintiff in this case is only entitled to recover the profits which defendant Reliance Construction Company made upon the contract which infringed the patents of plaintiff, and that such profits of defendant are $2,062.40 and no more, and that in this case plaintiff has not suffered any damages by the infringement and is not entitled to recover any royalty for the infringement other than beyond the profits made under the contract by defendant, which are $2,062.40 and no more.

See Transcript, pages 118-119.

Complainants filed a motion for confirmation of master's report and entry of final decree and allowance of treble the amount of damages reported by master, as follows:

Now comes the complainants and move for confirmation of the report of the master and entry of final decree in the above entitled suit, and that the complainants be allowed treble the amount of damages ascertained and reported by the Master in Chancery in his report.

As a basis for the application for allowance of treble damages, complainants rely upon the records and files of this suit and the report of the Master in Chancery, particularly upon the fact that the defendants took the municipal contract for laying pavement in the City of Hood River with Hassam pavement, infringing the patents referred to in the complaint and decree, after having been repeatedly

warned and notified by the complainants that they would be held for infringement and after having been offered a license by the complainants and which defendants neglected to accept.

See Transcript, pages 119-120.

The exceptions of appellant Reliance Construction Company and the motion to confirm the report of master and for treble damages, were heard, and were disposed of by the lower court on February 3, 1917, decreeing that the complainants have and recover of and from the said defendants and each of them the sum of forty-five hundred twenty-seven and 73/100 dollars ($4,527.73) damages as aforesaid, together with their costs and disbursements to be taxed.

See Transcript, pages 121, 122, 123, 124, 125, 126, 127.

Appellant Reliance Construction Company filed petition for rehearing on February 3, 1917.

See Transcript, pages 128, 129, 130, 131, 132, 133, 134, 135, 136.

Order was entered denying petition for rehearing and an opinion given denying rehearing.

See Transcript, pages 136, 137, 138, 139, 140, 141, 142.

Each of the three defendants have perfected separate appeals to this court.

See Transcript, pages 143 to 163.

SPECIFICATION IN WHAT THE DECREE IS ALLEGED TO BE ERRONEOUS BY APPELLANT CITY OF HOOD RIVER.

First: Because said decree orders and decrees that complainants have and recover of and from said defendants, and each of them, the sum of $4,527.73 damages as aforesaid, together with their costs and disbursements to be taxed, thereby entering a decree against defendant City of Hood River, a municipal corporation, for $4,527.73 damages, together with plaintiffs' costs and disbursements to be taxed, when said City of Hood River had not been brought before the Master in Chancery to account in any way, nor was it required to file any statement of what it had done, nor was there any evidence of any kind introduced against the City of Hood River, nor any claim made against the City of Hood River before the Master in Chancery that it had damaged the complainants or made any profits, and the Master in Chancery did not make any findings of fact or conclusions of law, or report against the City of Hood River in any amount, nor was the City of Hood River summoned before the District Court in any way, nor did it appear before said District Court in any way, nor was it given any hearing in any way before the decree was rendered against it, and said decree casts the City of Hood River in judgment for $4,527.73 damages, together with costs and disbursements, without it being summoned into court in any way or

being given a hearing in any way, and said decree is an attempt to deprive said City of Hood River of its property without due process of law in violation of the Constitution of the United States of America.

Second: Because said City of Hood River has not damaged complainants in any amount.

Appellant City of Hood River, upon this appeal, respectfully contends for a decree reversing decree of the lower court in regard to City of Hood River and for a decree for costs and disbursements on this appeal for City of Hood River.

POINTS AND AUTHORITIES.

I.

By the general law of the land, no court is authorized to render a judgment or decree against any one, or his estate, until after due notice by service of process to appear and defend.

Hollingsworth v. Barbour, 29 U. S. (4 Peters) 466, 476; s. c. 7 Law. Ed. 922, 926 and note.

Scott v. McNeal, 154 U. S. 34-51; s. c. 38 Law. Ed. 896, 897, 901, 902, 903.

Windsor v. McVeigh, 93 U. S. 274, 277; s. c. 23 Law. Ed. 914 on 916, 917, 918.

Pennoyer v. Neff, 95 U. S. 714, 733; s. c. 24 Law. Ed. 565, 572.

New Orleans Waterworks Co. v. New Orleans, 164 U. S. 480; s. c. 41 Law. Ed. 518 on 523.

Hovey v. Elliott, 167 U. S. 409-447; s. c. 42 Law. Ed. 215.

II.

"Though the court may possess jurisdiction of a cause, of the subject matter and of the parties, it is still limited in its modes of procedure, and in the extent and character of its judgments. It must act judicially in all things and cannot then transcend the power conferred by law."

Windsor v. McVeigh, 93 U. S. (3 Otto) 274; s. c. 23 Law. Ed. 914 on 916, 917, 918.

McVeigh v. U. S., 11 Wall. (U. S.) 267.

Scott v. McNeal, 154 U. S. 34-51; s. c. 38 Law. Ed. 896, 897, 901, 902, 903.

Pennoyer v. Neff, 95 U. S. 714, 733; s. c. 24 Law. Ed. 565, 572.

New Orleans Waterworks Co. v. New Orleans, 164 U. S. 480; s. c. 41 Law. Ed. 518 on 523.

Hovey v. Elliott, 167 U. S. 409-447; s. c. 42 Law. Ed. 215.

III.

When injunction decree became final, the counsel for Hood River, Hall & Stearns, were allowed to withdraw, and a master's summons was issued

and served to get jurisdiction of the parties before the master and court on the accounting, and there was no jurisdiction before master and court on the accounting of the parties who were not served with master's summons and who did not thereafter appear before master or court.

Windsor v. McVeigh, 93 U. S. 274; s. c. 23 Law. Ed. 914 on 917, 918.

McVeigh v. U. S., 11 Wall. (U. S.) 267.

IV.

Equity cannot make decree affecting the interests of interested parties not before the court.

New Orleans Waterworks Co. v. New Orleans, 164 U. S. 480; s. c. 41 Law. Ed. 518 on 523.

Scott v. McNeal, 154 U. S. 34-51; s. c. 38 Law. Ed. 896, 897, 901, 902, 903.

Hovey v. Elliott, 167 U. S. 409-447; s. c. 42 Law. Ed. 215.

V.

The City of Hood River made no profits on the infringement of the appellees' patents and had nothing to account for.

Asbestine Tiling Co. v. Hepp, 39 Fed. 324 on 325.

Elizabeth v. Pavement Co., 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006.

VI.

There was no jurisdiction in equity to assess damages against the City of Hood River.

Appellees have a plain, speedy and adequate remedy at law in an action for damages against the City of Hood River, and equity has not jurisdiction.

Root v. R. R. Co., 105 U. S. on 203 referring to *Elizabeth v. Pavement Co.,* 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006.

VII.

There is an essential difference between infringement by selling and infringement by buying and using the patented article.

Seattle v. McNamara, 81 Fed. Rep. 863.

VIII.

There is a difference in the measure of damages for the infringement by buying a patented pavement and paying a contractor for it, and the measure of damages against the contractor for the infringement.

Elizabeth v. Pavement Co., 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006.

IX.

There is a difference between the measure of damages in an action at law for infringing a patent and the measure of damages in a suit in equity for infringing a patent.

Coupe v. Royer, 155 U. S. 565, 582, 583; s. c. 39 Law. Ed. 263 on 269, 270.

X.

The cases cited in the opinion of the lower court in discussing the liability of City of Hood River are against contributing infringers and do not discuss the measure of liability.

This accounting in equity ought not to be changed into an action at law against the City of Hood River as a contributing infringer and the City of Hood River be given no chance to defend.

Root v. Railway Co., 105 U. S. 189; s. c. 26 Law. Ed. 975.

XI.

The City of Hood River is not a contributory infringer. The City of Hood River did not intentionally aid the Reliance Construction Company in the unlawful making and selling of patented Hassam pavement.

T. I. & E. Co. v. K. E. Ry. L. Co., 72 Fed. Rep. 1016, 1017.

N. Y. Scaffolding Co. v. Whitney, 224 Fed. Rep. 452, 459.

Henry v. Dick, 224 U. S. 1, 32, 33, 34.

XII.

There was no proof offered that city of Hood River had damaged appellees and decree against

City of Hood River should be reversed on this ground.

Ransom v. New York, 23 Howard (U. S.) 487, 489, 491.

XIII.

There was no common participation between appellants and there can be no joint decree for damages for the infringement. Decree should be reversed on this ground.

Vrooman v. Penhollow, 222 Fed. Rep. 894 on 895.

ARGUMENT.

The City of Hood River was a proper party to the suit for an injunction, was served with process, made a joint answer and joint defense to the injunction suit with Hall & Stearns as the joint counsel of all the defendants to this injunction suit.

Hall & Stearns were allowed to withdraw as counsel for defendants when the decree in the injunction suit became final.

Then appellees had a master's summons issued and served upon Reliance Construction Company and National Surety Company but *did not have said master's summons served upon the City of Hood River.*

The City of Hood River did not appear before the master.

The City of Hood River did not file any account before the master.

There was no evidence given before the master against the City of Hood River.

The appellees expressly disclaimed before the master that they were proceeding against the City of Hood River for an accounting.

Mr. Crane, manager of appellees, testified before the master:

"Q. You are not proceeding for damages against the City of Hood River?

A. No, not yet."

See Transcript, page 274.

Q. When the contract was let it contained a provision found on page 19 of Exhibit "B" as follows: "Section 25. All fees or royalties for any patented invention, article or improvement that may be used upon or in any manner connected with the work or any part thereof connected with these specifications shall be included in the price mentioned in the contract and the contractor shall provide for holding harmless the city against any and all demands for such fees or royalties and before the final payment is made on the contract, the contractor must furnish acceptable proof of and procure satisfactory release from all such claims." Was there any discussion of the Hassam patent at the time the contract was let and how did this provision come to be inserted in the contract?

A. I informed the city authorities that our process was patented and if anybody laid it without conforming to our offer that was on file that we would bring suit and that in order to protect themselves, for if we got judgment we certainly would go after the city later on for what we had been damaged, and they talked the matter over with their attorney and as I understand it they had that clause inserted.

When Mr. Blanchard, the Mayor of Hood River, was testifying before the master as a witness for the Reliance Construction Company, this occurred:

Q. Now the City of Hood River was promptly notified about the patent that was claimed to cover this pavement and they were warned against infringement, were they not?

A. Yes.

Q. And the city took a bond from the Reliance Construction Company to indemnify and protect it against possible claims for damage arising out of this patent in case the Reliance Company delayed the pavement?

A. Yes.

Q. No action for damages has been begun against the city for this infringement so far as you know?

A. Not to my knowledge, no,—I never have heard of it.

Q. But the city could of course be sued for the infringement?

A. I am not informed as to that,—we took the opinion and advice of the city attorney.

See Transcript, pages 321-322.

No one entered an appearance or appeared as counsel for City of Hood River before the Master in Chancery. No one entered an appearance or appeared as counsel for City of Hood River in the hearing on the report of the Master in Chancery.

The City of Hood River knew nothing of any decree for damages against it, until the proceeding was all over in the lower court.

The City of Hood River made no profits and had nothing to account for. No one asked City of Hood River to file an account.

This appellant respectfully calls the attention of the court to the fact that the record shows that there is no testimony introduced, nor any finding by the master, that defendant City of Hood River has received, or made, or which have arisen or accrued to them, or either of them, any profits or gains or advantages by the manufacture or use or sale of said pavements and artificial structures in violation of said letters patent, or that the complainants have suffered damages resulting from said infringement by said defendant; and the court has overlooked that in the decree it was ordered and adjudged as follows:

"And it is further Ordered, Adjudged and Decreed that the complainants do recover of the de-

fendants the profits, gains and advantages which the said defendants have received or made or which have arisen or accrued to them, or either of them, by the manufacture, use or sale of the said pavements and artificial structures in violation of the said letters patent since the 1st day of May, 1913, and that the complainants do recover the damages resulting from said infringements."

Also the court has overlooked that the master, by the decree in this case, was directed as follows:

"To ascertain, take and state, and report to the court, an account of the number of pavements and structures embodying the said inventions and improvements and each thereof, described and secured in the said letters patent, made, used or sold by the said defendants, and also the gains, profits and advantages which the said defendants have received or which have arisen or occurred to them or either of them since the 1st day of May, 1913, from infringing the said exclusive rights of the said complainants by the manufacture, use or sale of the said inventions and improvements in the said letters patent, and the damages which the complainants have suffered by said infringements."

Also the court has overlooked that the master, in making his report, limited his findings of fact in accordance with the evidence to the Reliance Construction Company.

Also the court has overlooked that before any finding or decree could be rendered against either the City of Hood River, a municipal corporation, or the National Surety Company, a corporation, upon the bond executed by it to indemnify the City of Hood River against any damages by reason of the infringement of any patents, that an action must be brought against the City of Hood River, a municipal corporation, or the National Surety Company, a corporation, or against both of them, upon said indemnity bond, and that the court was without jurisdiction or power to render a decree in this case against the defendant City of Hood River, a municipal corporation, when it is established by the evidence that said defendant has not received or made any profits or gains or advantages by the manufacture, use of, or sale of said pavements and artificial structures in violation of said letters patent since the 1st day of May, 1913; and also it appears that there has not arisen or accrued to said defendant, the City of Hood River, a municipal corporation, any profits or gains or advantages by the manufacture or use or sale of said pavements and artificial structures in violation of said letters patent.

This defendant respectfully shows that to render any such decree for any amount against the defendant City of Hood River, a municipal corporation, is to render a decree without any evidence or law to support it in any way, shape, manner or

form. The City of Hood River ought to be allowed to defend an action and be heard on the measure of damages and amount of recovery before any recovery is permitted against said defendant because of the facts.

After the final decree for damages City of Hood River arranged for counsel to appeal from said decree for damages to the court of appeals. Thus the decree of the lower court condemns the City of Hood River without notice and unheard and the lower court had no jurisdiction to enter decree for damages against the City of Hood River and the decree of lower court deprives the City of Hood River of its property without due process of law.

See cases cited under Points and Authorities.

Thus this decree should be reversed with costs to the City of Hood River upon this ground.

Appellant City of Hood River is not contending that City of Hood River is not liable for infringement by buying and using the patented Hassam pavement in proper case, or that it can buy patented pavement from an infringer with impunity.

Said appellant merely contends that City of Hood River was not brought before master to account in this equity case, and there was no accounting before master by City of Hood River, no evidence upon which report could be made against City of Hood River, and master made no finding against City of Hood River.

On motion to confirm report of master, no decree should be rendered against City of Hood River.

City of Hood River was not before the lower court on hearing of motion to confirm report of master.

City of Hood River must have trial and given due process of law before decree can be rendered against it.

City of Hood River did not make any profits and cannot account for profits.

Asbestine Tiling Co. v. Hepp, 39 Fed. 324 on 325.

Elizabeth v. Pavement Co., 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006.

Whether City of Hood River is liable for any damages in an action at law is not before the court in this equity case.

This question was raised and decided in *Elizabeth v. Pavement Co.,* 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006, as follows:

"Only the defendants have appealed; and the errors assigned by them on this branch of the case are the following:

"1. 'The court erred in decreeing that the complainants do recover of the defendants, the City of Elizabeth and George W. Tubbs, the sums set forth in the decree, because the master did not find that said defendants had made any profits, which failure to find was not excepted to by complainants,

and because no proof was offered by complainants of any profits whatever made by said defendants.'

* * * * * * * * *

"We will consider these assignments in order: The first seems to be well taken. The party who made the profit by the construction of the pavement in question was the New Jersey Wood Paving Company. The City of Elizabeth made no profit at all. It paid the same for putting down the pavement in question that it was paying to the defendant in error for putting down the Nicholson pavement proper, namely: $4.50 per square yard. It made itself liable to damages, undoubtedly, for using the patented pavement of Nicholson; but damages are not sought, or at least, are not recoverable, in this suit. Profits only, as such, can be recovered therein. The very first evidence which the appellees offered before the master was the contracts made between the city and the other defendants, for the construction of the pavement; and these contracts show the fact that the city was to pay the price named, and that any benefit to be derived from the construction of the pavement was to be enjoyed by the contractors.

"It is insisted that the defendants, by answering jointly, admitting that they were jointly co-operating in laying the pavement, precluded themselves from making this defense. We do not think so. That admission is not inconsistent with the actual facts of the case, to-wit: that this co-opera-

tion consisted of a contract for having the pavement made, on one side, and a contract to make it, on the other; and is by no means conclusive as to which party realized profits from the transactions. The complainants themselves, by their own evidence, showed that it was the contractors and not the city that realized it."

There was unquestionably no proof offered that City of Hood River had damaged appellees and decree against City of Hood River should be reversed on this ground.

Ransom v. New York, 23 Howard (U. S.) 487, 489, 491.

The improving of streets by a municipality is a lawful business or enterprise.

Ransom v. New York, 1 Fed. Pat. Cases 252; s. c. Fed Cases No. 11513, was an action at law for damage and on page 295 holds municipal corporation liable for damages as infringer for damages actually caused by the infringement.

This case was reversed in 23 How. (U. S.) 487, and the syllabus is:

"In an action for damages for the infringement of a patent right, the plaintiff must furnish some data by which the jury may estimate the actual damage. If he rests his case after merely proving an infringement of his patent, he may be entitled to nominal damages but no more."

On page 489 said case holds:

"It is to his advantage that every one should use his invention, *provided he pays for a license. The only damage to the patentee is the non-payment of that sum when the infringer commences the use of the invention.*"

As the plaintiffs in this case did not furnish any evidence upon which to found a calculation of actual damages the court should have instructed the jury as requested by the counsel." (Italics ours.)

That City of Hood River ought only to be sued at law for any damages which the plaintiff can establish by proof is shown by

Root v. Railway Co., 105 U. S. on 203, referring to *Elizabeth v. Pavement Co.,* 97 U. S. 126; s. c. 24 Law. Ed. 1000 on 1006.

This case seems to hold that damages are not allowed in equity unless infringer conducts his business so improvidently that it did not yield profits and cites

Marsh v. Seymour, 97 U. S. 348, 360.

The cases cited by the court in its opinion in discussing the liability of City of Hood River are for contributory infringements and do not discuss the measure of damages.

This case ought not to be changed into an action at law against the City of Hood River as a contrib-

utory infringer and the City of Hood River be given no chance to defend.

Action for damages for contributory infringer ought to be on the law side of the court and there ought to be a complaint upon that ground for damages.

Root v. Railway Co., 105 U. S. on 203.

Elizabeth v. Pavement Co., 97 U. S. 126.

The City of Hood River is not a contributory infringer. The City of Hood River did not intentionally aid the Reliance Construction Company in the unlawful making and selling of patented Hassam pavement.

T. H. E. Co. v. K. E. Rys. Co., 72 Fed. Rep. 1016, 1017.

N. Y. Scaffolding Co. v. Whitney, 224 Fed. Rep. 452, 459.

Henry v. Dick, 224 U. S. 1, 32, 33, 34.

There was no proof offered that City of Hood River had damaged appellees and decree should be reversed on this ground.

Ransom v. New York, 23 Howard (U. S.) 487, 489, 491.

There was no common participation between appellants and there can be no joint decree for damages for the infringement. Decree should be reversed on this ground.

Vrooman v. Penhollow, 222 Fed. Rep. 894 on 895.

The decree should be reversed for the appellees have not been damaged. This appellant respectfully refers the court to the brief of appellant Reliance Construction Company for an argument on this phase of the case.

This appellant respectfully refers the court to the brief of appellant for other arguments why this decree should be reversed.

The statement in the opinion of the lower court upon the justness of holding City of Hood River liable in damages in this equity suit because under any other holding the protection afforded by the patent law to inventors would be a poor sham, for it would be possible for a city to practically destroy the patent protection by awarding contracts to irresponsible or impecunious corporations or individuals, is very far fetched and illogical, and ignores the well-settled lawful remedies of patentees. The protection which the law gives patentees from such wrongful actions is a preliminary injunction.

Paper Bag Patent Case, 210 U. S. 405; s. c. 52 Law. Ed. 1122.

Kenny v. A. B. Dick Co., 224 U. S. 1; s. c. Ann. Cases, 1913 D on 887.

The courts ought to require good faith upon the part of the patentees.

Appellees induced Hood River to advertise to improve streets by special assessment proceedings,

under its charter, and appellees pretended to give honest competition with concrete pavement.

When contract was awarded to Reliance Construction Company, if appellees were having their property taken, why did not appellees get a preliminary injunction and stop the infringement?

Because appellees were laying a trap and attempting to speculate in litigation when appellees had little to lose and much to gain.

A court of equity ought not to encourage such conduct on the part of patentees whose patents have never been adjudicated to be valid.

Appellant City of Hood River wishes to point out not only what is possible, but will actually result if the decision of lower court is affirmed, instead of reversed.

Appellants ask attention to what would be the unreasonable effect upon business and how business would be injuriously affected if the decision of the lower court is upheld, and what a club for extortion would be put in the hands of patentees, even those whose patents have never been adjudicated to be valid patents, by upholding the decision of lower courts.

Patents are granted on *ex parte* application of the party wishing to get a patent, and who can hire a patent attorney to assist him get a patent.

There are large numbers of attorneys in the business of getting a patent on almost anything for a comparatively small charge.

I understand many patent attorneys will guarantee to get a patent on almost anything or charge no fee.

There is no trial or particular effort by the United States Government to guard against granting patents which are not valid, or against granting patents for things that are not justly patentable.

It is very common for patents to be declared by the courts not to be valid.

A patent is only prima facie evidence of validity of patent.

The statutes expressly provide for contesting patents in defense of infringement suits.

Under the decision of the lower court any one who has been granted a patent can notify other people that he has a patent and that he claims it is being violated, and that patentee demands certain terms for what he claims is the use of his patent, and that if said patentee's claims are not paid or the other people do not discontinue what they think they have a right to do and patentee says is an infringement of his patent, the patentee will file suit to establish the validity of his patent and for an injunction and an accounting, and do unto the defendants in those future suits what appellees have done to appellants in this suit.

That will be a warning of a serious nature.

The patentee will apply for no preliminary injunction or become liable for any great expense.

The patentee will just speculate on a law suit, and with little to lose and much to gain, just as appellees did in this suit.

This suit will be cited to show what a patentee of an unadjudicated patent can do to an infringer whose patent is adjudged to be good after a contest.

Apply this decision of lower court to patents on pavements. There are a number of patented pavements, the validity of the patents have not been adjudicated.

Under this decision there will be more patents obtained on pavements.

There is widespread belief among contractors and engineers and highway boards that a number of these patented pavements, which patents have not been adjudicated, are invalid, because such pavements have been laid for years and are not subject to be patented.

In this state, cities, counties and the state are spending and preparing to spend large sums of money for hard surface pavements.

Some one claims to have a patent on nearly every hard surface pavement that can be laid and nearly all pavement that is to be laid as unpatented hard surface pavement, some one claims it is an infringement on his unadjudicated patented pavement and the patentee either wants the lawful monopoly of laying that hard surface pavement at

an enormous price or patentee wants an enormous royalty.

Under this decision, every one who believes that an unadjudicated patent for a hard surface pavement is invalid or is not being infringed by a hard surface pavement, is told that he backs his judgment and litigates the claims of the patentee at an enormous risk, while the patentee runs no appreciable risk of loss at all.

This decision of lower court unreversed will be a great expense and hinderance to the improving of our streets and roads.

Under this decision, every one who contracts for the pavement, or who signs a bond for the contractor, or does anything for the contractor in laying a pavement, if the patent should be adjudged to be valid and to be infringed are liable jointly and severally as joint tort feasors to the patentee for what the patentee says he lost because he did not get an enormous royalty or an enormous profit by laying the pavement at an enormous price!

This decision establishing the validity of patent for Hassam patent, will not result in promoting the laying of Hassam patented pavement and the paying of royalty to the appellees.

It simply will require appellants to pay whatever sum this court of appeals adjudges that it should pay the appellees.

It will simply notify each city, county and state

in the ninth circuit, that when they want to lay concrete pavement, advertise for and lay concrete pavement and don't call it Hassam.

It simply gives promoters a great big club to use for their own benefit in hampering the good roads movement, at the expense of the taxpayers.

Such a decision ought to be reversed.

The appellant City of Hood River respectfully submits that the decree as to the City of Hood River on this accounting should be reversed, with costs to the City of Hood River.

Respectfully submitted,

RALPH R. DUNIWAY,

Of Counsel for City of Hood River.